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DECISION

THE COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D.C. 20548

FILE: B-191851 DATE: August 15, 1978

MATTER OF: Controlled Environment Systems, Inc.

DIGEST:

GAO will not consider protest concerning allegation that patent infringement may result from subcontract award as 28 U.S.C. § 1498 (1970) provides patent holder's exclusive remedy for patent infringement by Government subcontractor performing with authorization and consent of Government, i.e., suit against Government in Court of Claims.

Controlled Environment Systems, Inc. (CES), protests the award of a contract under request for proposals (RFP) 4469902, issued by the Lawrence Berkeley Laboratory, University of California, Berkeley, California (University), for research, development, and a demonstration program for energy efficient lighting components, systems, and applications. The basis of the protest is that possible infringement of CES' patents may result from the procurement.

The University conducts research and development work under prime contract No. W-7405-ENG-48 with the Department of Energy (DOE), including the support of a program to assist in the development and commercialization of a cost effective means of reducing the energy consumption of artificial lighting systems. The University's prime contract with DOE provides, in relevant part, as follows:

"Article XV--Intellectual Property

"Clause 1. Subcontracts, Purchase Orders and Procurement

The University shall utilize in its policies and procedures relating to subcontracts, purchase orders and procurement, such * * * procurement policies in the Patents and Data area as set forth in 41 CFR, Part 9-9, or such other policies and

> procedures as may be specifically directed in writing by the Contracting Officer or Patent Counsel.
>
> "Clause 2. Authorization and Consent
>
> The Government hereby gives its authorization and consent for all use and manufacture of any invention described in and covered by a patent of the United States in the performance of this contract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract)."

In accordance with Clause 1 of Article XV, the University, pursuant to 41 C.F.R. § 9-9.102-2 (1977), which provides that the "Authorization and Consent" clause (Clause 2 of Article XV) "shall be included in all contracts calling for research, development, or demonstration work", included that clause in the solicitation it issued.

CES objects to the University's use of the "Authorization and Consent" clause in the RFP because it "permits any subcontractor to infringe any U.S. patent without notice to or license from the patent owner." CES states that it holds "a number of patents in this field and therefore must strenuously object to the use of any administrative fiat which in essence licenses others to use our constitutional patent rights without due process."

Since the University operates the Lawrence Berkeley Laboratory for DOE, we believe our Office may consider this subcontractor protest under the standards of Optimum Systems, Incorporated--Subcontract Protest, 54 Comp. Gen. 767 (1975), 75-1 CPD 166. However, CES has not alleged substantive matters which are properly for resolution by our Office.

28 U.S.C. § 1498 (1970) provides:

> "(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof

> or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.
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> "For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States." (Emphasis added.)

The courts have recognized Section 1498 as constituting, in effect, an eminent domain statute, which vests in the Government the right to use any patent granted by it upon payment of reasonable compensation to the patent holder. Richmond Screw Anchor Co. v. United States, 275 U.S. 331 (1920); Stelma, Incorporated v. Bridge Electronics Co., 300 F. 2d 761 (3rd Cir. 1962).

Considering the act and its purposes, our Office has concluded that Government contracts should not be restricted to patent holders and their licensees. Instead, all potential sources should be permitted to compete for Government contracts regardless of possible patent infringement. 46 Comp. Gen. 205 (1966). We believe this principle to be equally applicable to subcontracts where the prime contractor has been given authorization by the Government to use or manufacture any invention covered by a patent of the United States in the performance of its contract, including any subcontract thereunder. Since the University, consistent with Section 1498, is explicitly authorized by its prime contract with DOE to use any invention covered by a patent of the United States in the performance of its contract, including any subcontract thereunder, a patent holder's sole remedy for infringement with respect to items that may be furnished by a subcontractor with the

authorization and consent of the Government is by suit in the United States Court of Claims against the Government for money damages.

Accordingly, a protest based on the ground that patent infringement may result from performance under a subcontract award to another firm is not for consideration by our Office. See Pressure Sensors, Inc., B-184269, July 31, 1975, 75-2 CPD 73.

The protest is dismissed.

Paul G. Dembling
General Counsel